

Message Text

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TO SECSTATE WASHDC 7466

C O N F I D E N T I A L LIMA 7697

EO 11652: GDS

TAGS: ELAB, PE

SUBJ: LABOR MINISTRY GIVES CERRO DE PASCO

WORKERS BIG RAISE

SUMMARY: MINISTRY OF LABOR HAS AWARDED CERRO DE PASCO BLUE-COLLAR WORKERS HEFTY PERCENTAGE WAGE INCREASE AMOUNTING TO PERHAPS 25 PERCENT INCLUDING FRINGES WHICH WILL COST COMPANY CLAIMED \$16 MILLION, BUT PAY STILL LAGS BEHIND THAT PREVAILING QT MORE HIGHLY MECHANIZED SOUTHERN PERU AND MARCONA. INCREASE SHOULD PROMOTE TEMPORARY LABOR PEACE IN CERRO MINES AND REFINERY. END SUMMARY.

1. MINISTRY OF LABOR ISSUED RESOLUTION AFTERNOON OCTOBER 17 SETTING TERMS OF NEW ANNUAL CONTRACT RETROACTIVE TO LAST JULY COVERING CERRO DE PASCO'S APPROXIMATELY 13,000 BLUE-COLLAR WORKERS REPRESENTED BY 13 TRADE UNIONS INFORMALLY GROUPED INTO LEFT-RADICAL LED FEDERATION. RESULTION CALLS FOR 30 SOLES (ROUGHLY 68 CENTS) INCREASE IN DAILY BASIC WAGE, SPECIAL BONUSES AND NUMERIOUS OTHER BENEFITS WHICH CERRO MANAGEMENT SOURCE TOLD LABATT REPRESENT 25 PERCENT AVERAGE WAGE INCREAS AND WHICH WILL RAISE LABOR COST BY CALCULABLE ITEMS INCLUDED. INCREASE IS CONFIDENTIAL

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REPORTEDLY SECOND HIGHEST PERCENTAGE BOOST IN CERO'S

HISTORY AND, WITH CERRO BEING PERU'S BIGGEST PRIVATE EMPLOYER, ALLEGEDLY REPRESENTS LARGEST TOTAL INCREASE IN WAGE BILL OF ANY PRIVATE EMPLOYER IN HISTORY OF PERU.

2. CERRO FILING INQUIRY ON UNCLEAR POINTS AND, AFTER RESOLUTION OF THESE, PLANS TO ROUTINELY APPEAL WITHIN MINISTRY OF LABOR. CERRO ANTICIPATED AWARD OF ABOUT THIS MAGNITUDE, HAS LITTLE HOPE OF CHANGE, AND ANTICIPATES APPEALS PROCESS WILL BE EXHAUSTED BY EARLY NOVEMBER. ON BASIS RECENT INDICATIONS OF GOP FISCAL POLICY TOWARD CERRO, OUR SOURCE DOES NOT ANTICIPATE INSURMOUNTABLE CASH PROBLEM IN MEETING RETROACTIVE PAYROLL EVEN IF CERRO STILL IN PRIVATE HANDS THEN.

3. LENGTHY NEGOTIATION PRIOR THIS AWARD WAS ALMOST ENTIRELY BETWEEN MINISTRY OF LABOR AND UNIONS, WITH CERRO MANAGEMENT OUT OF PICTURE, AND UNION LEADERSHIP IS REPRESENTING SETTLEMENT AS VICTORY DESPITE FACT THAT LESS THAN THRID OF WAGE DEMANDS AND EVEN SMALLER PERCENTAGE OF OTHER PROPOSALS WERE GRANTED. MORE RADICAL ELEMENTS IN CERRO UNIONS ARE REPORTEDLY MAKING UNFAVORABLE COMPARISONS BETWEEN AWARD AND MUCH HIGHER LEVEL OF WAGES AND OTHER BENEFITS ENJOYED BY SOUTHEN PERU AND MARCONA WORKERS UNDER PRESENT CONTRACTS, BUT COMPANY AND TRADE UNION SOURCES CONSULTED DO NOT ANTICIPATE DISRUPTIVE WORKER RESISTANCE TO TERMS. A RESOLUTION FROM MINISTRY OF LABOR GRANTING SIMILAR PERCENTAGE BENEFITS TO HALF OF CDP'S WHITE-COLLAR WORKERS IS ANTICIPATED OCTOBER 18 OR 19, WHILE REMAINDER OF WHITE-COLLAR WORKERS' CONTRACT EXPIRES DECEMBER.

4. COMMENT: GOP APPEARS TO HAVE MADE WORKABLE TEMPORARY COMPROMISE BETWEEN KEEPING LABOR PEACE BY SATISFYING WORKERS AND KEEPING INCREASE IN LABOR COSTS TO ITSELF AT TOLERABLE LEVEL AT SUCH TIME AS DECIDES TO TAKE CERRO. CERRO'S UNDISCIPLINED, INDEPENDENT UNIONS OF SEVERAL PRIMARILY RADICAL LEFTIST STRIPES SEEM LIKELY TO CONTINUE TO CALL FOR EXPROPRIATION OF CERRO
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WITHOUT COMPENSATION, WHILE INTERNALLY WORRYING ABOUT DEALING WITH TOUGH GOP INSTEAD OF VULNERABLE FOREIGN OWNERS, BUT AT PRESENT SEEM UNLIKELY TO STRIKE OR TAKE OVER MINES TO EITHER FORCE OR STAY GOP'S HAND.
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